WASHINGTON, DC – Congressman Steny H. Hoyer (MD-5) spoke on the House Floor today in support of legislation (H.R. 1965) that would provide real regulatory relief to community banks by amending an outdated SEC rule that makes it difficult for community banks to raise capital. Below are his remarks and a link to the video.

Click here to watch the video.

“Community banks, Mr. Speaker, are the lifeblood of our local economies. They are locally owned and operated. They know their local businesses and residents intimately and lend to them not just because it's a sound business decision, but also because it benefits the community. With the credit and lending crisis we have experienced over the past couple of years, the small banks that operate in our local communities face numerous challenges just to stay afloat.

“These are the banks we need to see lending, to small businesses and homeowners. But they are ham strung in their attempt to raise capital by outdated SEC. registration requirements. This one is over half a century old. Under the nearly fifty year old 500-investor exemption rule, banks have to register with the SEC. if they have more than 500 shareholders. Mr. Himes, whose bill this is, explained why that is difficult and why it changes as people who have stock die and leave their stock to more people and to heirs.

“Banks that have exceeded this low threshold must provide extensive and costly financial disclosure under our federal securities laws. Now, over the years we have upped the threshold in terms of dollars that the banks' assets have, but we have not affected the number of shareholders. To reverse this registration they are then forced to lower their number of shareholders by buying back stock, which all too often means losing local shareholders who keep these banks connected with their local communities.

“The rationale behind SEC. registration rules generally is to provide effective and timely disclosure to protect investors, which of course all of us support. However, as Maryland’s banking supervisor Mark Kaufman notes, the current rule adds to banks' cost with little associated benefits, especially considering that unlike most private companies banks file public disclosure already on a quarterly basis and do so more on a more timely basis than public companies, as Mr. Himes pointed out in his remarks.

"The American Bankers' Association, the Independent Community Bankers of America, state groups like the Maryland Bankers' Association and small banks throughout Maryland and the nation support raising this threshold to 2,000 – which is what this bipartisan legislation would do. This will lift a significant regulatory burden on our community banks – without any offsetting price in regulatory oversight – and make it easier for them to raise capital so they can continue to lend and support job growth in our communities. I strongly urge my colleagues on both sides of the aisle to support H.R. 1965."